

Agri-Input Market Development in Azerbaijan (AMDA)

Quarterly Report

July – September 2004

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by

IFDC

An International Center for Soil Fertility and Agricultural Development

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Summary

The July to September 2004 quarter focused on technical meetings such as open field demonstration, support to AKTIVTA, collection of association dues, and credits granted to agri-input dealers. Moreover, the system of private sector extension service through dealers (PSES) is becoming known among farmers and non-member dealers in the rural regions.

During the reported period a total of 81 agri-input dealers and 411 farmers attended 14 meetings conducted by AMDA/AKTIVTA. All the efforts put in based on continuity, reliability, and on time delivery of appropriate contents paid off. Both farmers and dealers realized the value of meetings in general and particular. This is being demonstrated by an increase in potato productivity by 20% in 2004. This is the third consecutive year when potato yields are steadily increased by using appropriate agri-inputs.

As a result the position of regional agri-input dealers was strengthened and an ever larger number of farmers become regular clients. This is based on the AMDA/AKTIVTA philosophy that next to the input supply information about the inputs and crop management is just as important and must be made available.

A complementary result is the self-confidence of the dealers in loan applications. During July – September a total of \$86,000 was approved by financing agencies. Since the start of the AMDA project no AKTIVTA member has failed in repaying credit loans. This is being acknowledged by the financing agencies as the number of dealers approved for receiving a second or third loan is increasing.

In addition, loans are not only used for trading agri-inputs but also for investing in physical infrastructure of enterprises such as buildings in general, increasing the number of sales shops, purchase of agriculture machinery, and investment in processing equipment or cold storage facilities.

AKTIVTA is the first and only registered association among the USAID partner projects in Azerbaijan. Although officially registered, the institutional, organizational, and financial sustainability of AKTIVTA has not yet been achieved.. A future thorough investigation is required to identify the core areas of services for which the agri-input dealers are willing to pay. Respective activities and approaches need to be outlined and implemented in order to safeguard the future of AKTIVTA and more importantly allow

Azeri farmers to increase productivity and farm income. This will be the challenge of the next years to come.

Highlights of Project Achievements

Business Development and Training

Two AKTIVTA members were selected by the Cochran Fellowship Program and visited the US during August 10 – 26.

The national customs office was contacted regarding the information on the present procedures for importation of seed potato from Russia. A set of legal documents was compiled concerning customs requirements for importing seed potatoes from Russia and is available for sale to importers through AKTIVTA. Presently, customs procedures at the Russian – Azerbaijani borders have been tightened especially at the Russian side. This has resulted in slow approval of documents and border clearance. The importation of seed potatoes into Azerbaijan has currently been stopped. The same applies to export of apples from Azerbaijan to Russia.

A trade agreement was discussed in summer 2004 between Russia and Azerbaijan to improve cross borders transfers. However, security and foreign policy related issues have led to a near standstill of all commercial transactions.

The Agriculture Fair in Guba was cancelled by the District Governor without prior explanation of motives.

Negotiations between Haifa Chemicals and two AKTIVTA dealers (Mahir from Absheron and Nusraddin from Ganja) on the importation of fertigation fertilizer for greenhouses were not concluded as a result of 30% price increases of fertigation fertilizer due to the high oil and commodity prices in the international market. Dealers reported that greenhouse owners were not willing to purchase fertilizer at such high prices. AGROKIMYA sold all fertigation fertilizer imported in 2003 from Haifa Chemicals to an AKTIVTA member in Shamkir. The remaining of 20 tons of fertigation fertilizer imported in spring 2004 was nearly all sold except for a few quantities in stock.

ALKO LTD from Kyurdamir imported 125 mt of NPK from PHOSAGRO in Russia to be used in vineyards. Samples were given to 10 AKTIVTA members as a marketing promotion campaign package. This importation is a result of earlier contacts of AMDA/AKTIVTA with PHOSAGRO during the trade mission in Russia.

Credit, Finance and Marketing

For the first time in Azerbaijan labels of imported CPPs (crop protection products) were translated into Azeri language. This is a targeted collaboration between EMA Company (largest importer of CPPs) and AKTIVTA/AMDA as part of the Private Sector Extension Services and marketing program of agri inputs..

Information on international market prices for fertilizer were compiled on the basis of FMB weekly and made available to importers.

A seasonal demand forecast for fertilizer imports was conducted. All importers confirmed that the peak for fertilizer sales falls during January – March period. Based on the past experiences importers noted a decrease of fertilizer sales during September – November. In the midterm future importers do not expect an increase of sales during the autumn season.

Price and supply information on importation of 1,000 Mt of AN were collected and distributed to several interested AKTIVTA members.

One loan was granted by CredAgro in July 2004 amounting to \$6,000 and four loans (2 CredAgro, 2 AtaBank) in August amounting to \$82,000. The AKTIVTA members approved by CredAgro repaid previous loans. AtaBank had organized credit fairs in several regions and provided credit at an interest rate of 7% per annum. The demand for AtaBank credits outnumbered the capital base available which was provided by the Government of Azerbaijan (GoA). GoA has plans to provide additional capital for targeted rural regions assuming that the oil revenues will increase in 2005.

AKTIVTA member Shamistan from Tovuz region received an AtaBank credit of \$60,000 for building a cold storage with a capacity of 350 mt. He plans to purchase and store table grapes which will be sold in November/December.

Rafael Ahmedov and Dashdamir Safaraliyev repaid their loans on time amounting respectively to \$5,000 and \$10,000. Until now no AKTIVTA member has failed in repaying loans obtained from lending agencies on time.

Firouz from Lenkeran repaid the outstanding balance for the greenhouse. All four greenhouse owners have completed their payments.

Although not officially confirmed various sources reported that the GoA intends to provide subsidies for agri-inputs. The IFDC report: "Input Subsidies and Agriculture Development: Issues and Options for Developing and Transitional Economies" recently translated into Russian language by AMDA was distributed to the Ministry of Agriculture, Ministry of Economic Development, Center of Economic Reforms, the Parliament, USAID, GTZ, and the European Commission. The Azeri translation version is at proof-reading stage and will be distributed in late October.

Association Building

Four proposals were submitted by AKTIVTA to the Farmer to Farmer Program (USAID partner project) to support dealers in Guba region on the control of diseases and orchard maintenance services during winter time. Two other proposals on potato and tomato production disease control were also submitted. The Farmer to Farmer Program will consider the proposals for their annual activity plan which lasts from October 2004 to September 2005.

In addition, four proposals on training/study tours for AKTIVTA members were submitted to World Learning for consideration during the financial year 2004/2005. Proposals included: Participation on a Regional Development Seminar in London, UK, organized by the European Commission; a study tour to the US for development planners on various group organization (farmers, agri-input dealers, agro-processing industry) in the agriculture sector; Development of an Early Warning System for Controlling Diseases in Apple Orchards to either Turkey or Germany; and participation at the IFDC Fertilizer Marketing Management Workshop in Dubai.

The technical committee met with the Ministry of Agriculture to discuss progress made on amending the seed law. The Ministry indicated great interest on seed policy paper presented by AKTIVTA especially on variety testing and truth in labeling issues.

However, no progress has been made by the Ministry in adopting AKTIVA recommendations to Azeri Seed Law. This is partially due to internal problems encountered in the Ministry of Agriculture. One year after the national election in November 2003 the Minister of Agriculture has not yet been confirmed in his position. Presently, all decision making power concerning the agriculture sector remains with the Ministry of Economic Development.

AKTIVTA supported the Ministry of Agriculture in providing information on setting up the legal frame for the development of a seed growers association of Azerbaijan.

The AKTIVTA president met with representatives from the Ministry of Economic Development to discuss policy issues related to financing of rural activities. The GoA plans to provide \$20 million from the state budget as a capital base to be distributed as loans to support the regional development in Azerbaijan.

The Ministry of Economic Development and the Ministry of Agriculture prepared a policy document relative to the development of agricultural sector. A draft, not yet available for the public, is currently being discussed.

One day training on writing grant proposals was conducted with AKTIVTA Executive Council members.

One seminar was held in Masalli on Association Strategic Planning. A very lively discussion took place on the topic of financial sustainability of AKTIVTA. This included the range of services provided by the association and the respective fees that need to be paid.

The AKTIVTA executive director participated in a round table discussion in Binagadi District on local tax issues of agri-inputs.

As per the end of September 2004, the due paying membership of AKTIVTA stands at 92. As of this date 73 members have paid their membership dues for the next year.

The association executive director met the head of the Secretariat for Competitive Grants and Knowledge Transfer Systems in the Ministry of Agriculture (financed by the World Bank). A description of AKTIVTA activities was presented. The Secretariat showed

great interest and requested AKTIVTA to stay in contact for potential further collaboration.

The DuPont regional manager together with the EMA Company (Azerbaijan DuPont representative) visited AKTIVTA to discuss future collaboration in the field of promotion and introduction of new herbicides through AKTIVTA/AMDA demonstration program. The Dupont regional manager highly praised the PSES approach in training and transfer of know-how through the agri-input dealers' network. Based on Dupont experience in Caucasus countries he emphasized that this is the first time that a development project has introduced a private extension system which resulted in significant sales increase of CPPs.

All formal documentation for registration of AKTIVTA association was accomplished. The setting up of the internal administration and the compulsory reporting system still requires attention and follow up adjustments. Clarification is required on tax payments to the Ministry of Finance and the handling of donations and other financial contributions.

Technology Transfer and Private Sector Extension Service

Mike Murray from the University of California conducted a survey on tomato growing in Lenkeran district during July 2004. The focus was on relationship building among agri-input dealers, farmers and agro-processors. Respective recommendations deriving from horizontal integration of the value added chain and the potential vertical support integration of each target group by USAID partner projects for building tomato clusters were provided to all concerned (USAID Office Baku, RABD, RECP). This was supported by a brief outline written by AMDA on building future tomato cluster relationships.

During July three open field days were conducted on farmers' best practice in wheat and potato production. These open field days were attended by 201 farmers and dealers. The demonstration results indicated higher yields compared to traditional growing methods. The PSES approach has proven to be successful not only during the open field days but also during the various plant growing stages where hundreds of farmers visited the demonstration fields.

In September 6 more seminars were conducted on farmers' best practice in wheat production. In total 235 farmers and dealers attended. Topics presented were: seed disinfection, wheat seed rate, and disease control measures. Participants actively contributed and showed an increasing interest in extension messages provided through AKTIVTA dealers as the field demonstrations resulted in productivity increases.

One seminar on farmers' best practices for onion production was conducted in Barda District (a new district included in regional coverage by AKTIVTA). In total 22 farmers and new dealers attended. Word is spreading about the quality advice provided by AKTIVTA and their members. Farmers indicated that previously unknown new practices for them were introduced for the first time.

Greenhouses and Irrigation

Israeli equipment for three greenhouses was ordered. However, due to national transport strikes in Israel the arrival was delayed.

In two greenhouses the planting of cucumbers was finalized. However numerous management problems were encountered during the production cycle. Therefore, it was decided not to import new greenhouses in the near future but to focus on knowledge and know-how transfer on farmers' best practices in existing greenhouse facilities. Respective training modules are under preparation and the first trainings will be held starting this October.

Public Relations and Media

Several articles on the open field demonstrations were published in various newspapers along with the Agriculture Commodity Report June and the Project Newsletter (Issue 7 and 8). A leaflet on "Onion Growing" was edited, published and disseminated just before the growing season started in western Azerbaijan. Moreover, recommendations on improving the seed law were distributed to all relevant agriculture donors and the Ministry of Agriculture. The outstanding publication during the reported period was a booklet on "Marketing Standards of Fresh Fruits and Vegetables". This is for the first time in Azerbaijan that international standards are available and published in Azerbaijani language.

A survey was conducted on the acceptance of AMDA/AKTIVTA publications by dealers and farmers. To this effect 75 dealers and 309 farmers were interviewed. The generated data are being processed.

On July 12, a 27 minute documentary on AKTIVTA activities was broadcast on national TV. This documentary will be broadcast in the future at regular intervals to promote AKTIVTA.

The opening of the AMDA supported vegetable garden at the orphanage in Lenkeran took place in August. This event was broadcast on TV and covered by various newspapers. Participants from district authorities, the Ministry of Education, USAID and various other organizations attended the inauguration.

Preparations are underway for the second round table discussion on national TV. The topic presented will be focused on disease control. It is estimated that about 30% of the potential yield is lost due to improper or no disease control measures. Selected participants included: 2 AKTIVTA members, 1 AMDA staff, 1 representative from the Ministry of Agriculture, and 3 agri-input importers. The live broadcasting was held on October 1, 2004..

Appendix 1: AMDA/AKTIVTA Meetings Conducted During July – September 2004

Title	Venue/Date	No. of Participants
Three open field days on farmers' best practices in potato and wheat	Tovuz 16 and 20 July, and Ismaili 9 July	175 farmers and dealers
Two seminars on farmers' best practices in alfalfa and maize production	Ismaili, August 5 Ismaili, August 18	47 farmers and dealers
One seminar in Masalli on Strategic Planning	Masalli, September 6	6 dealers participated
Six seminars on farmers' best practice in wheat production	Ismaili September 8 (2) Sheki September 9, Samukh September 14, Shamkir September 15, Jalilabad September 23	235 farmers and dealers
One seminar on onion production	Barda, September 17	22 farmers and dealers
One seminar with Executive Council (Writing Grant Proposals)	Baku, 19 September	7 AKTIVTA members
Total		3 open field days and 11 seminars attended by 81 dealers and 411 farmers.

Appendix 2:

**Cost Sharing Contribution
End of September 2004
Value of Cost Sharing in US Dollars**

No.	Activity	Jan	Feb	Mar	Apr	May	June	July	August	Sep	Oct	Nov	Dec	Total
1	Association meetings/ member visits	1,220	450	720	780	7,905								11,075
2	Field days/advisory visits	360	3,690	210	1,150	8,120	14,300	4,020	940	5,140				37,930
3	Seminar/business counseling		2,265			1,875	21,500			650				26,290
4	International supplier presentation		7,000			1,190	4,950							13,140
5	Transportation													
6	Trade missions/study tours		1,100				3,600							4,700
7	Media coverage	600	300	500	350	10,450	300	600		1,800				14,900
8	Credit obtained		10,500	5,000				6,000	82,000					103,500
9	Grants obtained													
10	Investment by dealers						50,170							50,170
11	Membership fees and dues			30	90	150				2,920				3,190
12	Association Service Fees		604	1,100										1,704
	Total US \$/Month	2,180	25,909	7,560	2,370	29,690	94,820	10,620	82,940	10,510				266,599
	Accumulated total from February 2002 to last month reported: \$1,003,929													

Appendix 3: Contacts and Visitors

No.	Name	Organization
1	James Goggin	USAID Baku, Country Coordinator
2	Jeffrey Lee	USAID Baku, Deputy Country Coordinator
3	John Brannaman	USAID Baku, Agriculture Development Officer
4	Rena Effendi	USAID Baku, CTO
5	Dr. Amit Roy	IFDC President and CEO
6	Raphael Abbasov	Economic Secretary, Israeli Embassy
7	Julie Hamlin	Chief of Party, World Learning
8	Bryan Cox	IRC, Country Representative
9	Rose Wellington	IRC
10	Tom Lemley	IRC, RABD, Chief of Party
11	Basile Koutchoubey	EU, Food Security Program, Head of Office
12	Natavan Aslanova	EU, Food Security Program, Economic Assistant
13	Anthony J. Treen	GTZ, STC on Integrated Pest Management
14	David McKee	UNICEF, Consultant
15	Mamedzade Nabiyeu	MoA, Head of Secretariat for Competitive Grants and Knowledge Transfer Reform
16	Ismail Sardarli	MoA, Department of Program and Project Expertise
17	Rafil Huseynov	Ministry of Agriculture, Head of Department for Project and Program Expertise
18	Abdul Adulayev	EMA Company, President
19	Feruza Bayramova	DuPont, Regional Sales Manager
20	Gerald Meier	ADRA, Project Manager Ganja
21	Eldar Gahramanov	Parliamentarian, Vice Chairman of Parliamentarian Agricultural Committee